



Submitted by
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Michigan Association of Health Plans

TESTIMONY BEFORE THE JOINT HOUSE COMMITTEES: HEALTH POLICY AND APPROPRIATIONS SUBCOMMITTEE ON LARA

MI HEALTH MARKETPLACE (INSURANCE EXCHANGE)

Tuesday, July 31, 2012

Thank you for the opportunity to testify today before this committee regarding a topic that remains extraordinary important for the citizens of Michigan and for members of our industry: Health Insurance Exchanges.

The Michigan Association of Health Plans represents 16 organizations that operate health insurance products for Medicaid, Medicare and the Commercial market. Our members serve over 2.5 million Michigan citizens and employ a combined work force of over 8000 employees who live in and who pay taxes in Michigan. We also have 55 business, limited, and associate members who provide essential services, consultation, and marketing services for our members. The mission of MAHP is to advocate for affordable and accessible health care for the citizens of Michigan.

We were pleased to be invited to testify last November before the House Health Policy Committee regarding our views on the concepts inherent in the Insurance Exchange and want to thank you for inviting us to testify again today. The Exchange is an issue that remains important to members of MAHP and we believe part of our role is to continue to provide information and recommendations regarding the proposed insurance exchange and how it may function in Michigan.

In the interest of time, rather than repeat the recommendations that we have provided to the Administration in their preliminary work toward establishing an exchange and our position on the Senate adopted legislation, we will attempt to address the outstanding issues that have been identified in our brief testimony this morning and will be available to respond to questions. However we do wish to refer you to the MAHP website and our white paper regarding Michigan's Insurance Exchange: <http://www.mahp.org/federalreformmahp.html>

MAHP VISION FOR INSURANCE EXCHANGE: “Consumers will be enabled to make informed decisions regarding health insurance coverage and insurers will be able to freely compete in an equitable marketplace that encourages innovation, quality and price competitiveness.”

General Issue Number 1: *Timelines for Establishing an Exchange appear to be constantly changing and there does not appear to be state flexibility.*

Response: From the MAHP point of view, the critical dates have remained constant from the beginning. All statutory time frames of ACA remain intact, and components of ACA have been implemented or are about to be implemented based on those dates, including:

- Coverage changes for Dependent Coverage to age 26;
- Elimination of lifetime limits;
- Elimination of annual limits;
- Provision of Preventive services for first dollar coverage;
- Provision of standards for medical loss ratios and provision of rebates to consumers;
- Determination of readiness for rate review;
- Implementation of High Risk Pools (Health Insurance Plan, HIP)
- Innovation Grants have been solicited and awarded to various nonprofit organizations in Michigan and elsewhere;
- Innovations office proposals for Integrated Care for persons with eligibility for Medicare and Medicaid
- Increase in Medicaid Physician Payments to Medicare levels included in adopted state budget.

Where there has been discretion, decision made on such as issues as deadlines for grant funding have been extended. However, a review of the specific deadlines regarding the Insurance Exchanges has not changed and remains:

- Filing of State Exchange Blueprint, 11-16-2012
- HHS to determine State participation in Exchange 1-1-2013
- Be able to go live for enrollment, 10-1-2013
- Implement 1-1-2014

Therefore, we believe that the 1-1-2013 decision (which will determine if Michigan or other states will default to the federal government) should be based on a state Exchange Blueprint submitted by 11-16-2012, that includes the necessary legal authority and proposed governance structure. In addition, we hope the Blueprint details consumer access points and awareness outreach, as well demonstrated capability for the integration of technology to connect:

- Exchange and Medicaid (for eligibility and enrollment purposes)
- Exchange and Carriers (to assure enrollment of consumers)
- Exchange and Federal Government

The state flexibility is inherent in the current regulatory provisions—state decision and oversight. See Appendix 1 and 2.

General Issue Number 2: Why not accept the Federal administration or partnership of the Exchange as a reasonable first step?

Response: All major decisions under this model would be based in Washington D.C. and be in the interest of the federal government and not necessarily how Michigan would choose to implement. Further:

- User fees to support the Exchange (likely paid by carriers) would go directly to Washington, with no control over the amount of the fees or how it might be spent or what type of administrative costs are covered. These costs will then be passed on to Michigan consumers in the form of higher premiums.
- The federal government will most likely choose national health care companies, located outside of Michigan, to participate in the Exchange. This could eliminate Michigan's highly-rated regional network plans from the Exchange and would likely take many jobs out of Michigan.
- Our preference is for a "Market type" or facilitator approach. If the Federal Government administers the Exchange, it may subsequently take the appearance of the Massachusetts model (active purchaser) with arbitrary choice of the carriers and number of plans;
- This will likely take "off the table" any potential of Michigan implementing a Basic Health Plan option.

Having a Michigan administered "Exchange" will keep the major policy decisions in Michigan—will keep the fees to cover the costs of the exchange in Michigan—and will keep jobs in Michigan.

General Issue Number 4: Competition in Health Insurance and Role of Exchanges

There are two issues related to a competitive health insurance environment and more affordable health care options. The first issue is largely separate from discussion from building exchange—and relates to the need to reform Michigan's insurance code and Public Act 350 as these are the state regulatory underpinning for health insurance in Michigan. Our vision at MAHP is to move from 4th worst (Report by the American Medical Association) to the most competitive insurance market by the end of the decade. We believe the activity by the Insurance Commissioner last week and the review underway by the Executive Office are reasonable first steps toward an improved Michigan health insurance environment.

Appendix 3 to our testimony outlines many of the various insurance provisions that will require adjustment however much of the specific language for changes will be dependent on decisions in such areas as the Exchange.

The second issue is related to both cost and access. One of the primary objectives of the ACA was in providing access of insurance products to the uninsured (estimated 1.2 million in Michigan). MAHP believes it is imperative to focus on this population as their health care costs contribute to the growing costs of health care and increases in premiums. It is estimated that at more than \$1000 a year of the health care premium cost for a family coverage is directly related to the uncompensated costs of the uninsured. If we do not take the effort available through an Exchange to serve this population, the ability to rein in health care costs will be much more difficult.

Developing an Insurance Exchange, coupled with the various incentives for enrollment will also result in carrier participation. We also believe that the implementation will be the result of the efforts by the private sector, providing the care, organizing the system, providing the information technology, enrolling consumers and paying claims.

Conclusion

MAHP thanks the Committee Chairs and members for this opportunity to support a Michigan Health Insurance Exchange or Marketplace. We have today reiterated our earlier positions supporting an equitable and effective marketplace for Michigan's citizens. We encourage you to move forward with a state-based

Exchange by providing the necessary legal authority (and funding via federal grants like the current \$9.8 million grant available to us) to enable us in establishing an option for Michigan citizens who have found it difficult or impossible to afford health insurance in the current marketplace structure.

Appendix 1

QUALIFIED HEALTH PLAN MINIMUM REQUIREMENTS

Certified by an Exchange as per Section 1311(c)
Provides the essential health benefits package
Is offered by a health insurance issuer that is state licensed, in good standing
Is offered by a health insurance issuer that agrees to offer one silver and one gold plan on the exchange
Is offered by a health insurance issuer that agrees to charge the same premium for each qualified health plan offered both inside and outside an exchange.

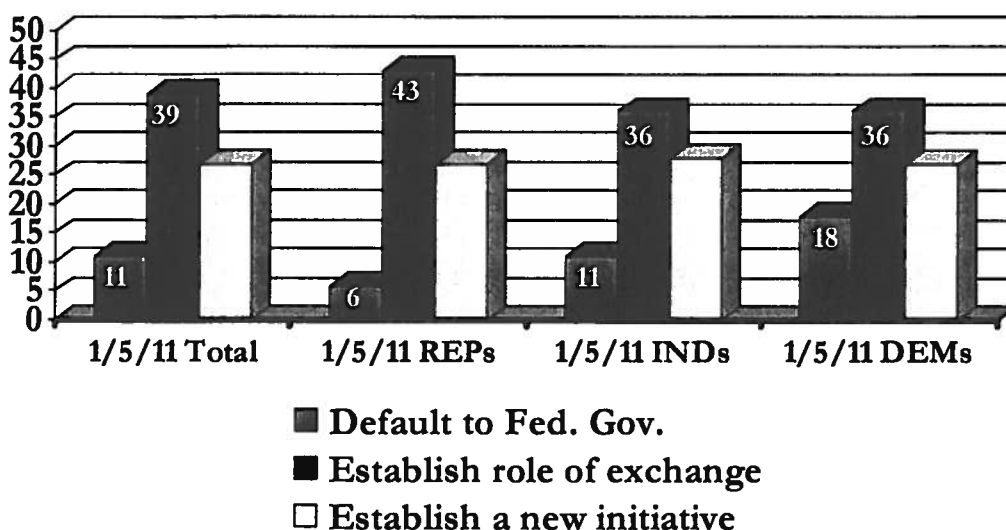
Appendix 2

ACA SECTION 1311 (c) MINIMUM EXCHANGE CERTIFICATION REQUIREMENTS FOR QUALIFIED HEALTH PLANS

Marketing requirements
Adequacy of provider choice/network adequacy
Inclusion of essential community providers
Accreditation by an entity recognized by the HHS Secretary
Implement a quality improvement strategy
Use NAIC uniform enrollment form
Use standard format to present benefit options
Provide information on quality measures for health plan performance
Report on pediatric quality measures

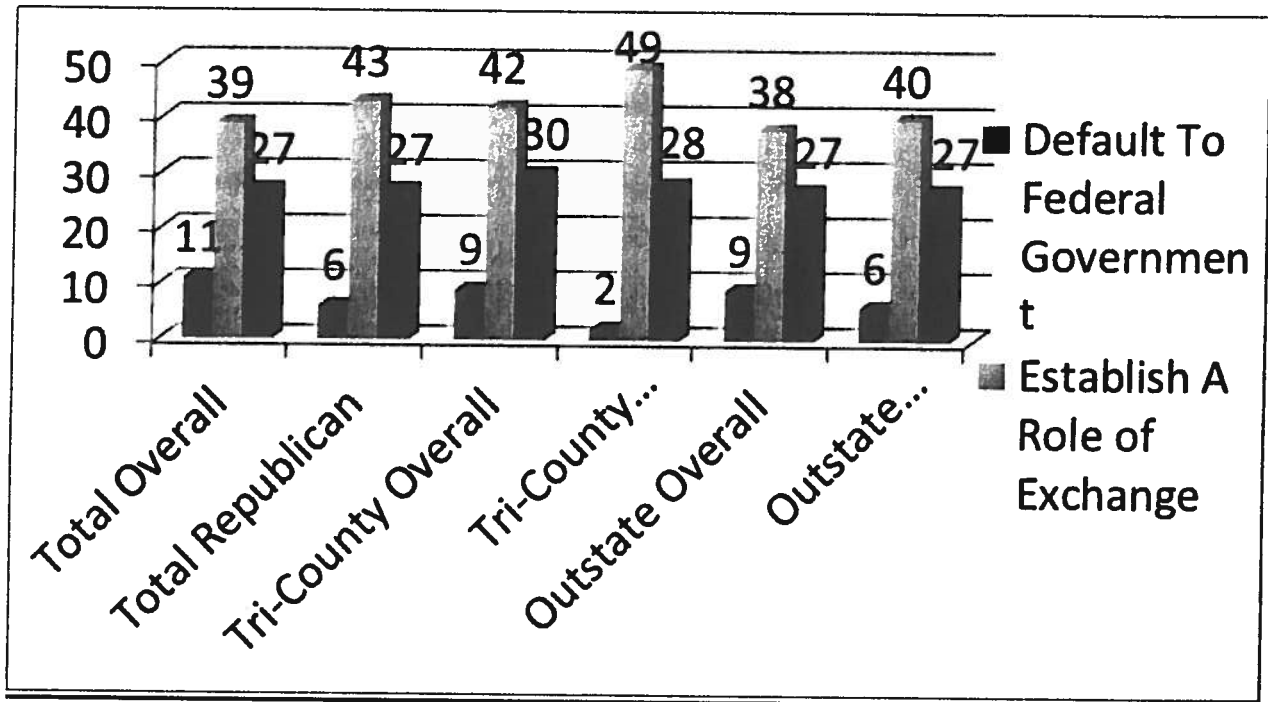
Appendix 3

Options For Michigan Insurance Exchanges



- Establishing an exchange with a limited role using technology (something similar to Orbitz or Travelocity and build on that success) is the preferred method among Michigan voters. With slightly more support from Republicans than Independents and Democrats.
- Only 11% of all voters and just 6% of Republicans favor defaulting to the federal government.

Tri-County (not including Detroit) and Outstate



Key Findings

- Michigan voters may oppose the federal healthcare law (often called Obamacare), and oppose having the governor and legislature implement the law, but they do not want the insurance exchanges designed by the federal government.
- As much as they oppose Obamacare, it's clear they want our state legislature to design the insurance exchanges!

Appendix 4

MICHIGAN REQUIREMENTS FOR LICENSURE AND GOOD STANDING

REQUIREMENTS	BCBSM	HMOs	Insurers
Financial Soundness	http://legislature.mi.gov/doc.aspx?mcl-550-1204a	http://legislature.mi.gov/doc.aspx?mcl-500-3551	http://legislature.mi.gov/doc.aspx?mcl-218-1956-4
Governance	http://legislature.mi.gov/doc.aspx?mcl-350-1980-3	http://legislature.mi.gov/doc.aspx?mcl-500-3511	http://legislature.mi.gov/doc.aspx?mcl-218-1956-13
State approval of premiums and products	http://legislature.mi.gov/doc.aspx?mcl-350-1980-6	http://legislature.mi.gov/doc.aspx?mcl-500-3525	
Network adequacy/service area	http://legislature.mi.gov/doc.aspx?mcl-350-1980-5	http://legislature.mi.gov/doc.aspx?mcl-500-3509 http://legislature.mi.gov/doc.aspx?mcl-500-3530	http://legislature.mi.gov/doc.aspx?mcl-Act-233-of-1984
Provider Credentialing/ Contracting	http://legislature.mi.gov/doc.aspx?mcl-350-1980-5	http://legislature.mi.gov/doc.aspx?mcl-500-3528 http://legislature.mi.gov/doc.aspx?mcl-500-3529	http://legislature.mi.gov/doc.aspx?mcl-Act-233-of-1984
Complaints & Appeals	http://legislature.mi.gov/doc.aspx?mcl-Act-251-of-2000	http://legislature.mi.gov/doc.aspx?mcl-Act-251-of-2000 http://legislature.mi.gov/doc.aspx?mcl-500-3513	http://legislature.mi.gov/doc.aspx?mcl-Act-251-of-2000
Fair marketing practices	http://legislature.mi.gov/doc.aspx?mcl-550-1402	http://legislature.mi.gov/doc.aspx?mcl-218-1956-20	http://legislature.mi.gov/doc.aspx?mcl-218-1956-20
Quality Improvement Standards & Reporting	http://legislature.mi.gov/doc.aspx?mcl-350-1980-5	http://legislature.mi.gov/doc.aspx?mcl-500-3508	http://legislature.mi.gov/doc.aspx?mcl-550-56
Consumer Information and Data reporting		http://legislature.mi.gov/doc.aspx?mcl-500-3580	